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SUBJECT: "COSTA RICA CONSENSUS:" OSCAR ARIAS'S  
DEBT-FORGIVENESS INITIATIVE

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[1](#)1. (SBU) Summary: Oscar Arias, the likely next president of Costa Rica, appears poised to call for a "Costa Rica Consensus," a debt-relief initiative that would be a centerpiece of a promised "active and progressive" foreign policy. He plans to convene an international summit in San Jose to persuade wealthy creditor nations that they have a moral and practical interest in forgiving the debt of well-behaved poor and middle-income countries so that these countries will spend less on arms and more on education, health, and housing. Arias likely will seek U.S. support for this initiative. End summary.

[1](#)2. (SBU) If the polls are correct, Oscar Arias will be elected president of Costa Rica on February 5 and take office on May 8 (reftel B). It is becoming increasingly clear that his administration will seek to obtain the agreement of the G-8, European Union, and OECD to forgive the debt of not only the poorest countries of the world (a la HIPC), but of developing countries like Costa Rica that invest in education, health, and housing, and not in arms, i.e. apparently incorporating Millennium Challenge Account (MCA)-like conditionality. Arias told us on January 17 (reftel A) that he plans to host an international summit on the issue. He said that newly middle-income countries should not be "punished" (by which he apparently meant having to pay their foreign debt) for their "relative success" (in achieving middle-income status).

[1](#)3. (SBU) On the campaign trail, Arias and his candidate for first vice president Laura Chinchilla have referred to this plan as the "Costa Rica Consensus" or, sometimes, the "San Jose Consensus." In the National Liberation Party (PLN) Program of Government 2006-2010, one of the "principles" of Arias's "active and progressive" foreign policy is expressed as "the struggle to overcome the enormous asymmetries between rich countries and developing nations." The program states: "The future administration of Dr. Oscar Arias, winner of the Nobel Prize for Peace, aspires to convert Costa Rica into a moral power, able to convoke the world in support of the best causes." Arias sees his initiative as a natural follow-on to the September 2000 Millennium Summit whose goals was to reduce world poverty by half by 2015.

[1](#)4. (U) Arias sometimes refers to his plan as a debt swap, the idea being that to qualify a developing country would have to demonstrate that the amount of debt forgiven was used for beneficial "social investment" and that at the same time military spending was reduced. The increase in social spending and concomitant reduction of arms and soldiers is the "spirit of the Costa Rica Consensus." The PLN program states: "The arms race in the developing world is a crime against peoples, in the same way that the international arms

trade is an evil that must be fought vigorously as a threat to humanity. Ironically, about 80 percent of all transfers of conventional arms originate with the five permanent members of the UN Security Council.

15. (SBU) Comment: Creating incentives for developing countries to spend more on education and less on their militaries is a worthwhile goal. But proposing the creation of a HIPC-like program for middle-income countries, with no apparent link to debt sustainability, reflects a surprisingly unsophisticated view of the workings and importance of financial markets to Costa Rica and other middle-income countries. Instead, Arias has told us that it is both a moral imperative for the USG and in our own interest to increase our foreign assistance. In Arias's view, morality would appear to trump practicality.

16. (SBU) Arias's brother, Rodrigo, will be traveling to Washington February 13-16. We anticipate that he will be making an appeal to USG interlocutors, including Millennium Challenge Corporation Chairman John Danilovich (former U.S. Ambassador to Costa Rica) for assistance. Arias will argue that by providing generous but conditioned aid (whether in the form of grants, debt forgiveness, or swaps), the "rich countries" can stimulate transparent and honest government, sustainable development, and peace in the developing world.  
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